

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name: <u>Hazel Park Memorial Library</u>	County Oakland
Audit Date June 30, 2004	Opinion Date October 15, 2004	Date Accountant Report Submitted To State: December 16, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): Plante & Moran, PLLC			
Street Address 350 South Main Street, Suite 200	City Ann Arbor	State MI	ZIP 48104
Accountant Signature <i>Plante & Moran, PLLC</i>			

Hazel Park Memorial Library

Financial Report

June 30, 2004

Hazel Park Memorial Library

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Independent Auditor's Report

To the Hazel Park Memorial Library Board
City of Hazel Park, Michigan

We have audited the accompanying general purpose financial statements of Hazel Park Memorial Library as of June 30, 2004 and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Hazel Park Memorial Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying general purpose financial statements do not present government-wide financial statements to display the financial position and changes in financial position of its governmental activities. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for Hazel Park Memorial Library's governmental activities are not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the general purpose financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Hazel Park Memorial Library as of June 30, 2004, or the changes in financial position for the year then ended.

The accompanying financial statements also do not include a management's discussion and analysis, which would present an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

Plante & Moran, PLLC

October 15, 2004



A worldwide association of independent accounting firms

Hazel Park Memorial Library

Balance Sheet Governmental Fund Type and Account Groups June 30, 2004

	Governmental Fund Type	Account Groups	
	General Fund	General Fixed Assets	General Long-term Debt
Assets			
Cash and investments (Note 2)	\$ 86,857	\$ -	\$ -
Accounts receivable	2,481	-	-
Due from other governmental units	37,092	-	-
Capital assets (Note 3)	-	620,859	-
Amount to be provided for retirement of long-term debt	-	-	29,865
Total assets	<u><u>\$ 126,430</u></u>	<u><u>\$ 620,859</u></u>	<u><u>\$ 29,865</u></u>
Liabilities and Fund Equity			
Liabilities			
Accounts payable	\$ 11,323	\$ -	\$ -
Other liabilities	17,704	-	-
Long-term debt - Accumulated employee benefits	-	-	29,865
Total liabilities	29,027	-	29,865
Fund Equity			
Investment in general fixed assets	-	620,859	-
Fund balance - Unreserved and undesignated	97,403	-	-
Total fund equity	97,403	620,859	-
Total liabilities and fund equity	<u><u>\$ 126,430</u></u>	<u><u>\$ 620,859</u></u>	<u><u>\$ 29,865</u></u>

Hazel Park Memorial Library

Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual Governmental Fund Type - General Fund Year Ended June 30, 2004

	Budget	Actual	Variance Favorable (Unfavorable)
Revenue			
Property taxes	\$ 438,900	\$ 418,487	\$ (20,413)
State grants	16,000	18,957	2,957
Interest	1,200	1,907	707
Other	50,900	52,561	1,661
Total revenue	507,000	491,912	(15,088)
Expenditures			
Salaries	241,200	230,455	10,745
Fringe benefits	69,100	76,228	(7,128)
Supplies	13,600	12,141	1,459
Professional services	36,600	35,417	1,183
Utilities	29,800	26,087	3,713
Insurance	16,000	15,019	981
Maintenance	12,500	11,745	755
Capital outlay	5,500	5,228	272
Books, periodicals, magazines, etc.	65,000	56,321	8,679
Other	17,700	16,136	1,564
Total expenditures	507,000	484,777	22,223
Excess of Revenue Over Expenditures	-	7,135	\$ 7,135
Fund Balance - July 1, 2003	82,364	90,268	
Fund Balance - June 30, 2004	\$ 82,364	\$ 97,403	

Hazel Park Memorial Library

Notes to Financial Statements June 30, 2004

Note I - Nature of Organization and Summary of Significant Accounting Policies

Hazel Park Memorial Library (the "Library") is located in the City of Hazel Park, Michigan. The Library is primarily funded through a tax levy, fines, and fees. Revenue is used to operate and staff the Library.

The accounting policies of the Library conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity

The Library is governed by a six-member elected board. The accompanying general purpose financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. Based on these criteria, there are no component units of the Library that are to be included in the reporting entity.

Fund Accounting

The accounts of Hazel Park Memorial Library include a General Fund, a General Fixed Assets Account Group, and a General Long-term Debt Account Group, each of which is considered a separate accounting entity.

General Fund - The General Fund contains the records of the financial activities of Hazel Park Memorial Library. General Fund activities are financed by property taxes and other revenue.

Fixed Assets - Fixed assets are capitalized in the General Fixed Assets Account Group, rather than in the General Fund. Such assets are recorded as expenditures in the General Fund at the time of purchase. No depreciation has been provided on general fixed assets.

Long-term Debt - Long-term liabilities expected to be financed from the governmental fund are accounted for in the General Long-term Debt Account Group, not in the General Fund.

The General Fixed Assets Account Group and the General Long-term Debt Account Group are not funds and do not involve the measurement of results of operations.

Hazel Park Memorial Library

Notes to Financial Statements June 30, 2004

Note I - Nature of Organization and Summary of Significant Accounting Policies (Continued)

Basis of Accounting

The General Fund follows the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

- a. Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned. Other revenue is recorded when received.

Properties are assessed as of December 31. The related property taxes are billed on July 1 of the following year and become a lien on the following December 1.

- b. Payments for inventorable types of supplies are recorded as expenditures at the time of purchase.
- c. Normally, expenditures are not divided between years by the recording of prepaid expenses.
- d. Vacation pay is accrued when earned and sick pay is accrued when vested (or likely to vest). Under the Library's policy, employees earn sick and vacation benefits based on time of service. The noncurrent portion of the accumulated sick and vacation pay obligation is reflected in the General Long-term Debt Account Group in the amount of \$29,865.

Budget Information - The annual budget is prepared by the Library director and adopted by the Library Board; subsequent amendments are approved by the Library Board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2004 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with generally accepted accounting principles.

The budget has been adopted on a line item basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. Budget variances of the Library are disclosed on the statement of revenue, expenditures, and changes in fund balance - budget and actual - governmental fund type - General Fund.

Hazel Park Memorial Library

Notes to Financial Statements June 30, 2004

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (Continued)

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 - Cash and Investments

Deposits - Hazel Park Memorial Library's deposits are administered by the City of Hazel Park and are held in separate accounts in the name of the City of Hazel Park. The deposits are reflected in the accounts of the bank at \$86,857 (without recognition of checks written but not cleared). The federal depository insurance coverage pertains to all the deposits of the City of Hazel Park; hence, the specific coverage pertaining to Hazel Park Memorial Library's deposits, if any, is not determinable.

The City of Hazel Park (the "City") performs the investment function on behalf of the Library. Michigan law permits investments in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, bankers' acceptances and mutual funds, and pools that are composed of the above investment vehicles. All investments during the year consisted of bank investment pool funds and are reported at fair value. The bank investment pools are regulated by the Michigan Banking Act, and the fair value of the position in the pool is the same as the value of the pool shares. Investments are normally categorized to give an indication of the level of risk assumed by the City; however, investment pool funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes all investments comply with the investment authority noted above. There were no investments held on June 30, 2004.

Hazel Park Memorial Library

Notes to Financial Statements June 30, 2004

Note 3 - Capital Assets

A summary of general fixed assets at June 30, 2004 is as follows:

Furniture and equipment	\$ 29,717
Books, periodicals, recordings, and films*	76,650
Building improvements	<u>514,492</u>
Total capital assets	<u>\$ 620,859</u>

* Books, periodicals, recordings, and films are recorded at one dollar per item. The replacement value, based on trade publications' average costs adjusted for discounts and processing costs applicable to Library purchases, was approximately \$2,100,000.

The Library building is owned by the City of Hazel Park and is not included in the Library's General Fixed Assets Account Group.

Note 4 - Defined Benefit Pension Plan

Plan Description - The Library contributes to the City of Hazel Park's Employees' Retirement System, a cost-sharing, multiple-employer defined benefit pension plan administered by the City of Hazel Park. The plan, which covers all employees of the City and Library, provides retirement, disability, and death benefits to plan members and their beneficiaries. The City of Hazel Park's Employees' Retirement System is included in the City of Hazel Park's financial statements. That report may be obtained from the City offices at 111 East Nine Mile Road, Hazel Park, Michigan.

Funding Policy - The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's collective bargaining units and requires a contribution from the employees of 5 percent of gross wages. The funding policy provides for periodic employer contributions at actuarially determined rates. The Library made a contribution to the plan for the year ended June 30, 2004 of \$25,204.

Note 5 - Risk Management

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Library has purchased commercial insurance for property loss, torts, errors and omissions, and employee injuries (workers' compensation claims) through the Michigan Municipal League. The Library participates in the City of Hazel Park's self-insurance program for medical benefits provided to employees. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Library pays premiums to the City of Hazel Park's medical benefits self-insurance program. The City uses premiums collected from the Library and from City funds to pay for health care benefits for Library and City employees. Although premiums are paid to the City's self-insurance program and those premiums are used to pay claims, the ultimate liability for those claims remains with the Library.

Note 6 - Postemployment Benefits

The Library provides health care benefits to all full-time employees upon retirement, in accordance with labor contracts. Currently, there is one retiree eligible. The Library includes pre-Medicare retirees and their dependents in its insured health care plan, with no contribution required by the participant. Expenditures for postemployment health care benefits are recognized as the insurance premiums become due; there were \$6,436 of expenditures during the year.